GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:191
ANSWERED ON:01.08.2003
COOPERATIVE BANKS SCAM
MANSUKHBHAI D. VASAVA;SAVSHIBHAI MAKWANA

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government propose to review the working of the Cooperative banks functioning in Gujaratand other parts of the country in view of large number of cases of fraud unearthed recently;

(b) if so, the details thereof and the number of the bank scams reported during the last six months and amount involved therein, State-wise;

(c) whether there has been an inordinate delay in framing sharges on those fraud cases;

(d) if so, the reasons therefore; and

(e) the steps taken to prosecute the scamsters and check such frauds?

Answer

FINANCE MINISTER (SHRI JASWANT SINGH)

(a) to (e) : A statement is placed on the Table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question number 191 for 1st of August, 2003regarding Cooperative Banks scam raised by SHRI SAVSHIBHAI MAKWANA and SHRI MANSUKHBHAI D.VASAVA.

(a) & (b): As per information available with Reserve Bank of India (RBI), there was no fraud/bank scam relatingto State Cooperative Banks (SCBs)/District Central Cooperative Banks (DCCBs) during the period from 1.1.2003 to 30.6.2003. However, 117 cases of frauds were reported by 98 Urban Cooperative Banks (UCBs) involving a total amount of Rs.6047.7 lakhsduring the same period. State-wise details of frauds reported to RBI during the last 6 months are given in the Annexure.

RBI is reviewing the position of banks involved in frauds on a quarterly basis by calling for returns/statementsfrom the banks. RBI has issued guidelines/instructions from time to time to UCBs to curb/prevent instances of fraud. Banks have been advised that as a general rule, all cases of fraud, on banks whether committed by outsiders or on their own, or with the connivance of bank officials or committed by banks` officials themselves should invariably be reported to the investigating agencies. Criminal cases wherever appropriate should be filed with the Courts immediately after the bank has concluded that a fraud has been perpetrated.

(c) & (d): As per the reports received by the RBI from the concerned banks, there has not been any inordinate delay in framing charges on those found guilty except in one case in which the bank filed a police complaint only after the matter was taken up by RBI.

(e): Frauds/scams committed by the management of the UCBs are required to be investigated by the Registrar of Cooperative of the concerned State/Central Registrar of Cooperative Societies as the case may be, for taking appropriate action. Besides, RBI has taken various measures to strengthen the system of regulation and supervision of cooperative banks such as restricting UCBs from borrowing in call money market, prohibiting them from lending directly or indirectly against security of shares to individuals/stock brokers/any other entity, and pressing restriction on issuing of bankers` cheques/pay orders/demand drafts against instruments presented for clearing unless the proceeds thereof are collected and credited to the account of the parties concerned. these banks have also been advised that they should constitute an Audit Committee of the Board of Directors who should review the internal audit/statutory audit reports and RBI inspectionreports and monitor the action takento rectify the deficiencies pointed out in such reports.

Annexure

Details of frauds reported to RBI during the last 6 months indicating the number of cases, number of Banks and the amount involved.

State	No. of Cases involved	No. of Banks involved	Amount involved (Rs. in lakh)
Gujarat	17	15	392.62
Karnataka	15	14	5004.73
Orissa	1	1	0.82

Madhya Pradesh	2	2	29.62
Tamil Nadu	4	4	20.27
Assam, Meghalaya, Manipur	2	2	3.88
Andhra Pradesh	3	3	48.66
Rajasthan	1	1	1.40
Maharashtra	65	49	519.25
Kerala	7	7	26.45
Total	117	98	6047.70